GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1837
ANSWERED ON:24.08.2007
CASH FLOW IN THE COUNTRY
Chinta Mohan Dr. ;Suman Shri Ramji Lal

Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to control the cash-flow into the country in order to keep the rate of inflation below 5%;

(b) if so, the amount of cash-flow in the country during each of the last two years;

(c) whether the RBI has taken any steps to check the cash-flow in the country; and

(d) If so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P.K. BANSAL)

(a): No specific proposal in this regard is under the consideration of Government.

(b): Gross capital inflows were US$ 227.7 billion during 2006-07 as compared to US$ 141.8 billion during 2005-06. However, net capital inflows during 2006-07 were US$ 44.9 billion as compared with US$ 23.4 billion during 2005-06.

(c) & (d): A review of the external commercial borrowing (ECB) guidelines was undertaken keeping in view the current macroeconomic situation, changing market conditions, sectoral requirements and the experience gained so far in administering the ECB policy. Based on the review, certain modifications to the ECB policy have been made in August 2007, like putting certain end-use restrictions and foreign currency expenditure conditionality for borrowing above the threshold of US$ 20 billion per borrower per financial year and requiring RBI approval for borrowing up to US$ 20 billion for Rupee expenditure.